

## **7. INVESTMENTS**

Financial instruments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are stated at cost.

The municipality did not test for impairment of assets as it is exempted from IAS 36 (AC128) in entirety.

## **8. ACCOUNTS RECEIVABLE**

Accounts receivable are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified.

## **9. TRADE CREDITORS**

Trade creditors are stated at their nominal value.

## **10. REVENUE RECOGNITION**

### **10.1 Revenue from non-exchange transactions**

Donations are recognized on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use.

Revenue from the recovery of unauthorized, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognized when the recovery thereof is approved by Council.

Exemption was granted by the Minister of Finance from paragraph 12 of GAMAP 9 – Revenue- in initial measurement of fair value of revenue by discounting all future receipts using an imputed rate of interest. The initial recognition at fair value in accordance with GAMAP 9 –Revenue- and IAS 39/AC 133 –Financial instruments: Recognition and measurement- is exempt. The municipality recognises revenue from

### **10.1 Revenue from non-exchange transactions**

the sale of goods and services at its face value. Any payables from the purchase of goods and services are also recognised at face value/cost.

## **11. CONDITIONAL GRANTS AND RECEIPTS**

Revenue received from conditional grants, donations and funding are recognized as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement.

When all conditions have not been met the amounts are disclosed as “Unspent conditional grants and receipts” in the statement of financial position.

## **12. PROVISIONS**

Provisions are recognized when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made.

## **13. JUDGEMENTS AND ESTIMATES**

Critical judgments in applying the entity's accounting policies

In the process of applying the municipality's accounting policies, management has made judgments that have the most significant effect on the amounts recognised in the financial statements. These policies are disclosed in notes 3 (Provisions), note 6 (Useful life of fixed asset) and note 9 (Provision for bad debt).

## **14. CASH AND CASH EQUIVALENTS**

Cash is cash on hand and cash with banks. Cash equivalents are all short-term liquid investments that are held with registered banking institutions and are subject to an insignificant risk of change in value.

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, investments in financial instruments and net of bank overdrafts.

## **15. UNAUTHORISED EXPENDITURE**

Unauthorized expenditure is expenditure that has not been budgeted and expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that will finance such expenditure.

## **16. IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), and the Public Office Bearers Act (Act No. 20 of 2998) or is in contravention of the Municipality.

## **17. FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where such a recommendation is tabled by the Audit Committee to Council.

## **18. COMPARATIVE INFORMATION**

### **18.1 Current year comparatives:**

Budgeted amounts have been included in the annual financial statements for the current year only. Refer to Annexure E (1) and E (2).

### **18.2 Prior year comparatives:**

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

## **19. LEASES**

Exempted from recognizing operating lease payments on a straight-line basis if the amounts are recognized on the basis of the cash flows in the lease agreement, IAS 17 (AC 105) – *Leases*–

## **20. EXEMPTIONS**

### **20.1 Full advantage**

The municipality had taken full advantage of all the exemptions by the Minister of Finance in Government Gazette 30013 of 29 June 2007. These exemptions are for the 2006/07 and 2007/08 financial years.

### **20.2 Adjustment for full compliance**

By complying fully with the standards that are currently being exempted and of which full advantage has been taken will result in changes in the following:

#### **20.2.1 Statement of Financial performance:**

- Impairment loss/gain
- Changes in fair value of assets
- Adjustment expenditure for intangible assets.

#### **20.2.2 Statement of Financial position:**

- Property, plant and equipment adjusted for Impairment
- Property, plant and equipment adjusted for intangible assets
- Recognizing of intangible assets

**MIDVAAL LOCAL MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008**

	2008 R	2007 R
<b>1 LONG-TERM LIABILITIES</b>		
External Loans	61,665,138	26,782,127
Unspent Loans	26,294,614	1,496,754
Sub-Total	<hr/> 87,959,752	<hr/> 28,278,881
Less: Current portion transferred to current liabilities	6,037,528	3,409,469
External Loans	<hr/> 6,037,528	<hr/> 3,409,469
Net External Loans - Long term	<hr/> 81,922,224	<hr/> 24,869,412
<b>2 CONSUMER DEPOSITS</b>		
Electricity and Water	5,727,687	5,410,826
Total Consumer Deposits	<hr/> 5,727,687	<hr/> 5,410,826
<b>3 PROVISIONS</b>		
Opening Balance	5,163,372	5,163,372
Movement for the year	528,913	-
Utilised	(2,264,869)	(1,268,974)
Increase in the provision	2,793,782	1,268,974
Closing balance	<hr/> 5,692,285	<hr/> 5,163,372
The leave pay provision relates to vested leave pay to which employees may become entitled upon leaving the employment of the Municipality. The provision arises as employees render a service that increases their entitlement to future compensated leave. The provision is utilised when employees who are entitled to leave pay, leave the employment of the Municipality or when the accrued leave due to an employee, is utilised		
Management did not accrue for audit fees as the audit is only performed after year end.		
<b>4 Trade payables</b>		
Trade Payables	13,250,823	13,514,149
Payments received in advance	12,931,663	13,170,411
Retention	4,475,977	1,378,301
Other payables	35,473,695	35,133,346
Deposits - Other	178,994	99,057
	<hr/> 66,311,152	<hr/> 63,295,264
<b>5 UNSPENT CONDITIONAL GRANTS AND RECEIPTS</b>		
Municipal infrastructure Grants (MIG)	(84,997)	(1,437,219)
Provincial Local Economy Development (LED) Projects	(2,018,775)	(3,420,926)
Department of Arts and Culture	(251,999)	-
Thusang Conventional Centre	(203,816)	(898,043)
National Treasury	(443,500)	(183,500)
Bonthe Ke Botho Cleaning Campaign	(350,316)	(218,400)
Department of Mineral and Energy (DME)	-	-
Makiti	-	-
Department of Sports and Recreation	(28,988)	(202,013)
Sedibeng District Council (Clinic)	(361,948)	(1,018,970)
HIV Grant	(378,208)	(900,000)
Total Conditional Grants and Receipts	<hr/> (2,103,772)	<hr/> (4,858,145)

5 UNSPENT CONDITIONAL GRANTS AND RECEIPTS (CONTINUE)

	2008 R	2007 R
<b>5.1 Municipal infrastructure Grants (MIG)</b>		
Balance unspent at beginning of year	(1,437,219)	(2,199,507)
Current year receipts	(6,109,971)	(12,656,151)
Conditions met - transferred to revenue	7,462,193	13,418,439
Conditions still to be met- transferred to liabilities	<u>(84,997)</u>	<u>(1,437,219)</u>
This grant was used for Capital projects		
<b>5.2 Provincial Local Economy Development (LED) Projects</b>		
Balance unspent at beginning of year	-	(531,334)
Current year receipts	-	-
Conditions met - transferred to revenue	-	531,334
Conditions still to be met- transferred to liabilities	<u>-</u>	<u>-</u>
This grant was used to contribute to basic services		
<b>5.3 Thusang Project Sicelo</b>		
Balance unspent at beginning of year	(898,043)	(898,043)
Current year receipts	-	-
Conditions met - transferred to revenue	694,227	-
Conditions still to be met- transferred to liabilities	<u>(203,816)</u>	<u>(898,043)</u>
This grant will be used to build the Coven ional Centre		
<b>5.4 National Treasury</b>		
Balance unspent at beginning of year	(183,500)	-
Current year receipts	(500,000)	(500,000)
Conditions met - transferred to revenue	240,000	316,500
Conditions still to be met- transferred to liabilities	<u>(443,500)</u>	<u>(183,500)</u>
This grant was used to finance the cost in respect of the Interns and to update the asset register		
<b>5.5 Bontle Ke Botho Cleaning Campaign</b>		
Balance unspent at beginning of year	(218,400)	(218,400)
Current year receipts	(141,836)	-
Conditions met - transferred to revenue	9,920	-
Conditions still to be met- transferred to liabilities	<u>(350,316)</u>	<u>(218,400)</u>
This balance of this grant will be used to finance the cleaning campaign		
<b>5.6 Department of Mineral and Energy (DME)</b>		
Balance unspent at beginning of year	-	(127,517)
Current year receipts	-	-
Conditions met - transferred to revenue	-	127,517
Conditions still to be met- transferred to liabilities	<u>-</u>	<u>-</u>
This grant was used for operational expenditure		

5 UNSPENT CONDITIONAL GRANTS AND RECEIPTS (CONTINUE)

2008	2007
R	R

*5.7 Makiti*

Balance unspent at beginning of year	-	(30,623)
Current year receipts	-	-
Conditions met - transferred to revenue	-	30,623
Conditions still to be met- transferred to liabilities	-	-

This grant will be used to finance the relevant operational expenditure

*5.8 Department of Sports and Recreation*

Balance unspent at beginning of year	-202,013	-
Current year receipts	173,025	(700,000)
Conditions met - transferred to revenue	497,987	-
Conditions still to be met- transferred to liabilities	-28,988	(202,013)

This grant will be used to erect the soccer field

*5.9 Sedibeng District Council (Clinic)*

Balance unspent at beginning of year	(1,018,970)	-
Current year receipts	(858,830)	(1,018,970)
Conditions met - transferred to revenue	1,515,852	-
Conditions still to be met- transferred to liabilities	(361,948)	(1,018,970)

This grant will be used to upgrade the Meyerton Clinic

*5.10 HIV Grant*

Balance unspent at beginning of year	(900,000)	(900,000)
Current year receipts	(560,000)	(610,000)
Conditions met - transferred to revenue	1,081,792	610,000
Conditions still to be met- transferred to liabilities (see note 6)	(378,208)	(900,000)

The HIV programme will be financed with this grant

*5.11 Department of Art and Culture*

Balance unspent at beginning of year	-	-
Current year receipts	(1,739,500)	-
Conditions met - transferred to revenue	1,487,501	-
Conditions still to be met- transferred to liabilities (see note 6)	(251,999)	-

This grant will be used to finance the relevant operational and capital expenditure

## 6 PROPERTY, PLANT AND EQUIPMENT

As a result of the adoption of GAMAP 17 -Property plant and equipment-, Midvaal Local Municipality performed a detailed review of the fixed asset register with the assistance of independent third parties. This entailed a full physical count of all fixed asset and updating the values to reflect the current estimated net book value.

Reconciliation of Carrying Value	Land and Buildings	Infra- structure	Community	Other	Total
Carrying values at 1 July 2006	R 19,743,273	R 491,688,928	R 31,196,896	R 25,058,982	R 567,688,079
Cost	19,743,273	195,321,749	38,033,807	30,507,689	283,606,519
Prior year restatement (Note 22)	-	296,367,179	(6,836,911)	(5,448,707)	284,081,561
Fair value	0	351,745,496	795,000	8,272,577	360,813,073
Accumulated depreciation	-	55,379,101	7,631,911	13,721,283	76,732,295
Acquisitions	-	27,230,767	1,443,455	8,003,066	36,677,287
Depreciation	-	(54,844,698)	(1,485,852)	(11,460,333)	(67,790,883)
Carrying values at 30 June 2007	R 19,743,273	R 464,074,996	R 31,154,499	R 21,601,715	R 536,574,483
Cost	19,743,273	518,919,695	32,640,351	33,062,048	604,365,366
Accumulated depreciation	-	(54,844,698)	(1,485,852)	(11,460,333)	(67,790,883)

Reconciliation of Carrying Value	Land and Buildings	Infra- structure	Community	Other	Total
Carrying values at 1 July 2007	R 28,220,491	R 459,053,479	R 34,148,314	R 15,152,199	R 536,574,483
Cost	28,220,491	513,837,450	35,733,834	26,573,592	604,365,366
Accumulated depreciation	0	(54,783,971)	(1,585,520)	(11,421,392)	(67,790,883)
Disposals	0	0	0	636,778	636,778
Cost	0	0	0	3,028,782	3,028,782
Accumulated depreciation	0	0	0	(2,392,004)	(2,392,004)
Acquisitions	0	94,840	62,843	6,888,494	7,046,176
Work in progress	302,190	54,621,167	24,628,938	329,126	79,503,694
Depreciation	0	30,348,297	1,214,795	4,793,332	36,356,424
Carrying values at 30 June 2008	R 28,522,681	R 483,421,189	R 57,625,299	R 16,939,709	R 586,508,879
Cost	28,522,681	568,553,457	60,425,614	30,762,430	688,264,182
Accumulated depreciation	0	(85,132,268)	(2,800,315)	(13,822,721)	(101,755,303)

The annual depreciation rates are based on the following estimated asset lives:-

Description	Useful life
Buildings	30 years
Infrastructure assets	10-30 years
Recreational facilities	20 years
Motor vehicles	3-20 years
Office equipment/computers	7 years
Furniture and Fittings	3-5 years

	2008 R	2007 R
<b>7 INVESTMENTS</b>		
ABSA	5,000,000	10,000,000
Nedbank	5,000,000	13,000,000
First National	5,000,000	5,000,000
Standard Bank	10,000,000	10,000,000
<b>Total</b>	<b>25,000,000</b>	<b>38,000,000</b>

Investments relate to 32 day notice deposits

## 8 INVENTORY

Fuel	-	11,659
Water - at cost	52,869	72,551
<b>Total Inventory</b>	<b>52,869</b>	<b>84,210</b>

## 9 CONSUMER RECEIVABLES

Service debtors	45,414,186	37,427,056
Other	27,139,851	34,177,029
Provision for bad debt	(17,052,240)	(20,010,968)
	<b>55,501,797</b>	<b>51,593,117</b>

	2008 R	2007 R
<b>9 CONSUMER RECEIVABLES (CONTINUED)</b>		
<b>Reconciliation of the bad debt provision</b>		
Balance at beginning of year	20,010,968	17,666,579
Increase in provision	5,078,515	
Bad debts written off against provision	(2,958,728)	(2,734,126)
Balance at end of year	<u><u>17,052,240</u></u>	<u><u>20,010,968</u></u>

The provision for doubtful receivables covers losses where there is objective evidence that the municipality incurred a loss at the balance sheet date. These incurred loss events have been estimated based upon historical patterns of losses. When a receivable is uncollectible, it is written off to the income statement. Subsequent recoveries are credited to the income statement.

#### 10 OTHER RECEIVABLES

Sundry Receivables	5,492,772	8,511,959
Value Added Taxation (VAT)	11,802,396	4,459,792
	<u><u>17,295,168</u></u>	<u><u>12,971,751</u></u>

VAT is payable on the receipts basis. Only once payment is received from debtors is VAT paid over to SARS.

#### 11 BANK BALANCES AND CASH

The municipality has the following bank accounts:-

##### Current Account ( Primary Bank Account )

ABSA Bank Ltd - Public Gauteng East Branch - Account Number 405 320 3845

Bank balances and cash at beginning of year	7,720,707	5,829,097
Restated Bank balances and cash at end of year (note 31)	<u><u>1,769,136</u></u>	<u><u>7,720,707</u></u>
Bank statement balance at beginning of year	8,355,043	12,009,999
Bank statement balance at end of year	<u><u>13,406,921</u></u>	<u><u>8,355,043</u></u>
Guarantees held in lieu of Electricity and Water Deposits	<u><u>246,100</u></u>	<u><u>246,400</u></u>

#### 12 PROPERTY RATES

<b><u>Actual</u></b>		
Residential	25,544,499	28,122,704
Commercial	25,818,745	20,166,229
State	1,815,163	896,542
<b>Total Assessment Rates</b>	<u><u>53,178,407</u></u>	<u><u>49,185,475</u></u>

<b><u>Valuations</u></b>	<b><u>Jul-07</u></b>	<b><u>Jul-07</u></b>
Residential	<b><u>R000'</u></b>	<b><u>R000'</u></b>
Commercial	8,282,039	511,148
State	1,041,796	114,127
Municipal	264,976	17,561
<b>Total Property Valuations</b>	<b><u>9,789,909</u></b>	<b><u>662,213</u></b>

Valuations on land and buildings are performed every four years according to the Property Rates Act 6 of 2004 which was implemented 1 July 2007. Interim valuations are processed as needed. A new valuation roll will come into effect from 1 July 2011. Rebates of 40 % are granted to improved residential property owners amounting to a value of R10 604 412

#### 13 SERVICE CHARGES

Sale of Electricity	51,418,906	51,806,735
Sale of Water	51,170,487	46,651,315
Refuse Removal	10,510,482	9,135,263
Sewerage and sanitation charges	15,582,730	14,717,480
<b>Total Service Charges</b>	<u><u>128,682,605</u></u>	<u><u>122,310,793</u></u>

	2008 R	2007 R
<b>14 GOVERNMENT GRANTS AND SUBSIDIES</b>		
Equitable Share	33,863,072	42,602,835
Capital expenditure grants conditions met	8,642,308	8,341,295
<b>Total Government Grants and Subsidies</b>	<b>42,505,380</b>	<b>50,944,130</b>

**14.1 Equitable Share**

In terms of the Constitution, this grant is partially used to subsidise the provision of basic service to indigent community members. All registered indigents receive a subsidy of R 175 per month [ 2007;R87] from this grant.

**15 OTHER INCOME**

New Service Connection Fees	12,035,375	1,920,600
Re - Connection Fees	1,576,406	1,333,300
Building Plan Fees	1,982,932	1,872,918
Prepaid Services	14,835,883	13,300,285
Sundry income	3,256,931	2,274,004
<b>Other income</b>	<b>33,687,527</b>	<b>20,701,107</b>

**16 EMPLOYEE RELATED COSTS**

Employee related costs - Salaries and Wages	56,319,277	47,223,883
Employee related costs - Contributions for UIF, pensions and medical aids	15,214,845	13,359,376
Travel, motor car, accommodation, subsistence and other allowances	4,446,026	4,009,589
Housing benefits and allowances	1,013,959	833,490
Overtime payments	4,362,603	3,553,401
Leave bonus	4,965,553	4,716,743
<b>Total Employee Related Costs</b>	<b>86,322,263</b>	<b>73,696,482</b>

*Remuneration of the Municipal Manager*

Annual Remuneration	586,036	826,940
Performance Bonuses	161,625	
Car Allowance	168,000	72,000
Contribution to UIF, Medical and pension Funds	95,964	68,457
<b>Total</b>	<b>850,000</b>	<b>1,129,022</b>

*Remuneration of the Chief Financial Officer*

Annual Remuneration	566,158	571,464
Performance Bonuses	138,104	
Car Allowance	72,000	168,000
Contribution to UIF, Medical and pension Funds	111,842	87,151
<b>Total</b>	<b>750,000</b>	<b>964,719</b>

*Remuneration of Individual Executive Directors*

	<b>Technical Services</b>	<b>Corporate Services</b>	<b>Community Services</b>
	R	R	R
Annual Remuneration	727,680	652,735	533,482
Performance Bonuses	-	-	-
Car Allowance	22,320	120,000	78,000
Contribution to UIF, Medical and pension Funds	17,265	138,518	
<b>Total</b>	<b>750,000</b>	<b>790,000</b>	<b>750,000</b>

16 EMPLOYEE RELATED COSTS (CONTINUE)

	<u>Protection Services</u> R	<u>Development &amp; Planning</u> R	<u>Director Human Resources</u> R
Annual Remuneration	541,961	501,504	572,777
Performance Bonuses	-	-	-
Car Allowance	72,000	144,000	36,000
Contribution to UIF, Medical and pension Funds	136,039	104,496	141,223
<b>Total</b>	<b>750,000</b>	<b>750,000</b>	<b>750,000</b>

17 REMUNERATION OF COUNCILLORS

	2008 R	2007 R
Executive Mayor	480,700	448,096
Speaker	387,240	199,618
Mayoral Committee Members	1,091,628	1,018,269
Councillors	2,075,670	1,804,035
<b>Total Councillors' Remuneration</b>	<b>4,035,238</b>	<b>3,470,018</b>

*In-kind Benefits*

The Mayor, Speaker, Whip and 3 Executive Committee Member are full-time. Each is provided with an office and secretarial support at the cost of the Council. Remuneration of Councillors are according to Section 219(1)b of the Constitution

18 INTEREST PAID

Total Interest on External Borrowings	<u>3,887,470</u>	<u>2,493,635</u>
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19 BULK PURCHASES

Electricity	36,063,692	35,457,527
Water	33,166,005	30,256,135
<b>Total Bulk Purchases</b>	<b>69,229,697</b>	<b>65,713,662</b>

20 GRANTS AND SUBSIDIES PAID

Grant paid to Meyerton Golf club	48,000	48,000
Grant to Childcare	500	422
	<u>48,500</u>	<u>48,422</u>

21 GENERAL EXPENSES

Included in general expenses are the following:-		
Audit Fees	819,534	146,358
Valuation Roll	1,900,748	1,655,057
Fuel	3,151,258	2,469,392
Computer Services	591,924	1,063,400
New Service Connections	14,852,138	1,266,433
Services to informal settlements	-	2,605,618
Rental	5,669,564	3,587,407
Telecommunications	1,047,135	1,239,821
Wasteful expenditure (Note 27)	-	5,044,984
<b>Sundry expenses</b>	<b>19,861,561</b>	<b>20,502,856</b>
	<u>47,893,862</u>	<u>39,581,326</u>

22 RECONCILIATION OF DEFICIT FOR THE YEAR TO NET CASH FROM OPERATING ACTIVITIES

	2008 R	2007 R
(Deficit)/Surplus for the year	(20,129,710)	(20,071,832)
Non-cash movements:		
Depreciation	36,356,424	67,790,883
Increase (decrease) in provision for bad debts	91,378	2,344,389
Prior year correction	(1,474,869)	
Increase/(decrease) in trade payables	-	11,840,734
(Decrease)/increase unspent conditional grants and receipts	3,015,888	(47,279)
Decrease/(increase) in inventories	(2,754,373)	5,492
Increase government grant reserve	31,341	6,953,191
(Decrease)/increase in provisions	528,913	(680,000)
Increase in consumer deposits	316,861	699,849
Increase in non cash flow items relating to reserves recorded in the income statement	-	(28,772,909)
Increase/(decrease) in capital replacement reserve	-	13,675,042
Increase/(decrease) in donations and public contributions reserve	-	8,144,676
Increase/(decrease) in trade and other receivables	(10,832,097)	(30,661,139)
Net cash flows from operating activities	<u>5,149,756</u>	<u>31,221,097</u>

23 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION

Long-term liabilities (see Note 1 )	87,959,752	28,278,881
Used to finance property, plant and equipment - at cost	(26,782,127)	(26,782,127)
Sub-total	61,177,625	1,496,754
Cash set aside for the repayment of long-term liabilities	6,037,528	3,409,469
Cash invested for repayment of long-term liabilities ( see note 1 )	<u>3,409,469</u>	<u>3,409,469</u>

Long-term liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

24 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED

	R	R
<i>Fruitless and wasteful expenditure</i>		
Various cases under investigation		
Reconciliation of irregular expenditure		
Opening Balance	-	5,044,984
Fruitless and wasteful expenditure current year	-	759,392
Transfer to receivables for recovery - not condoned	<u>-</u>	<u>5,804,376</u>
Irregular expenditure awaiting condonement - Sewer Network	-	-
Fruitless expenditure - prepaid electricity	-	-

Sewer network

The construction of the sewer network at Riversdal seems to be sub standard and according to the consulting engineers the total original cost paid to the contractor can be wasteful

Prepaid electricity

Prepaid electricity sold via a customer not recoverable. Balance is in arrears with excessive amounts and is included in the

25 SUNDY ISSUES

<u>25.1 PAYE and UIF</u>		
Amount paid - current year	11,981,608	10,138,601

25.2 VAT

VAT inputs receivables and VAT outputs receivables are shown in note 10. All VAT returns have been submitted by the due date throughout the year.

25.3 Pension and Medical Aid Deductions

Amount paid - current year Pension	13,900,469	12,312,390
Amount paid - current year Medical	7,209,920	6,132,305

25.4 Water loss

Water loss increase from 27.72% in 2007 to 31.48% for 2008. A revenue protection unit was established to manage future water losses.

## 26 RETIREMENT BENEFIT INFORMATION

Council and employees contribute towards the under-mentioned Pension Funds whose operations are subject to the Pension Fund Act, 1956. Although a request was sent to the funds, only some actuarial valuations were received to assess whether the funds are in a sound financial position. Therefore a contingent liability may exist which is undisclosed. Management are of the opinion that the contingent liability will not be of a material amount.

The Council subscribes to the following pension funds:

Municipal Gratuity Fund  
Municipal Employees Pension Fund  
Joint Municipal Employees Pension Fund  
Germiston Municipal Retirement Fund  
Old Mutual Sale Pension Fund  
National Fund For Municipal Workers  
SAMWU National Provident Fund  
Councillors Pension Fund

## 27 COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexure E(1) and E(2).

## 28 AWARDS TO CLOSE FAMILY MEMBERS OF PERSONS IN THE SERVICE OF THE STATE

No awards was allocated of more than R2 000 to a person who is a spouse child or parent of a person in the service of the state

## 29 CONTINGENT LIABILITIES

Management applies its judgement to the fact patterns and advice it receives from its advisors in assessing an obligation is probable, more likely than not or remote. The judgement is used to determine if the obligation is recognised as a liability or disclosed as a contingent liability.

During the normal course of business, claims in the region of R2 million have been instituted against the municipality. Management is confident that they will be able to defend these claims.

## 30 COUNCILLOR'S ARREAR CONSUMER ACCOUNTS

No Councilor had any arrear account outstanding for more than 90 days at 30 June 2008

## 31 PRIOR YEAR RESTATEMENTS

The prior year Other Payables and Bank balance has been adjusted to appropriately account for outstanding cheques as at 30 June

Bank Balance	
- Prior year disclosed	8,899,610
- Restated	7,720,707
Difference	1,178,903

### Other Payables

- Prior year disclosed	36,312,249
- Restated	35,133,346
Difference	1,178,903

## 32 PRIOR YEAR ADJUSTMENT

During the current year, it was noted that prior year electricity readings of a major consumer were overstated. A correction was processed during the current financial year to correctly account for this revenue in the prior year.

**MIDVAAL LOCAL MUNICIPALITY**  
**APPENDIX A: SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2008**

EXTERNAL LOANS	Loan Number	Redeemable	Balance at 30/06/07	Received during the year	Redeemed written off during the year	Balance at 30/06/08
<b>LONG-TERM LOANS</b>						
Walkerville	L009/WD	31/12/2007	R (39,701)	R	R 39,701	R -
Walkerville	L006/WD	30/06/2014	(233,708)		21,694	(212,014)
Walkerville	L007/WD	31/12/2012	(315,895)		40,081	(275,814)
Vaalmarina	L003/VM	30/06/2008	(43,562)		43,562	-
Vaalmarina	L001/VM	30/06/2014	(1,000,471)		92,871	(907,600)
Vaalmarina	L004/VM	31/12/2012	(748,788)		95,006	(653,782)
Vaalmarina	L002/VM	30/06/2014	(81,111)		7,529	(73,582)
Randvaal	L009/RV	31/12/2011	(188,669)		31,036	(157,633)
Randvaal	L010/RV	31/12/2011	(153,556)		25,260	(128,296)
Randvaal	L012/RV	31/12/2008	(14,374)		9,195	(5,179)
Randvaal	L014/RV	30/06/2009	(9,206)		4,205	(5,001)
Randvaal	L017/RV	31/12/2010	(247,097)		56,287	(190,810)
Randvaal	L023/RV	30/06/2015	(641,867)		48,557	(593,310)
Randvaal	L024/RV	31/12/2009	(484,362)		169,590	(314,772)
Midvaal	L023/M	30/06/2020	(6,709,902)	(2,796,319)	454,291	(9,051,930)
Midvaal	L022/M	30/06/2012	(6,192,549)		1,029,130	(5,163,419)
Midvaal	L021/M	30/06/2010	(2,339,496)		711,813	(1,627,683)
Midvaal	L024/M	30/06/2017	(6,422,041)	(10,336,128)	1,090,336	(15,667,833)
Midvaal	L025/M	2023/06/30	-	(26,450,000)	-	(26,450,000)
Midvaal	L026/M	2023/06/30	-	(4,950,000)	-	(4,950,000)
Midvaal	L027/M	2023/06/30	-	(9,600,000)	-	(9,600,000)
Midvaal	L028/M	2023/06/30	-	(9,800,000)	-	(9,800,000)
Midvaal Inca	MIDV-00-0001	30/09/2013	(2,412,526)		281,432	(2,131,094)
<b>Total long-term loans</b>			<b>(28,278,881)</b>	<b>(63,932,447)</b>	<b>4,251,576</b>	<b>(87,959,752)</b>
<b>TOTAL EXTERNAL LOANS</b>			<b>(28,278,881)</b>	<b>(63,932,447)</b>	<b>4,251,576</b>	<b>(87,959,752)</b>

**MIDVAAL LOCAL MUNICIPALITY**

**APPENDIX B: ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2008**

	Cost/Revaluation				Accumulated Depreciation				Carrying Value 30-Jun-08
	Opening Balance 01-Jul-07	Work in progress	Additions	Disposals	Closing Balance 30-Jun-08	Opening Balance 01-Jul-07	Depreciation	Depreciation on disposals	
<b>Land and Buildings</b>									
Land	28,220,491	302,190	0	0	28,522,681	0	0	0	28,522,681
Buildings	0	0	0	0	0	0	0	0	0
<b>Infrastructure</b>	<b>28,220,491</b>	<b>302,190</b>	<b>0</b>	<b>0</b>	<b>28,522,681</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>28,522,681</b>
Billboards	0	0	0	0	0	0	0	0	0
Roads & Bridges	189,530,353	8,354,099	94,840	0	197,884,452	25,242,435	13,720,745	0	38,963,180
Electricity Network	87,893,267	8,653,613	0	0	96,641,721	8,010,500	4,349,293	0	12,355,793
Fencing	980,921	482,629	0	0	1,463,550	574,462	254,466	0	828,927
Master Plans	0	0	0	0	0	0	0	0	634,622
Footways / Kerbing / Paving	269,384	1,965,689	0	0	2,235,073	26,370	13,506	0	39,876
Security Systems	49,971	0	0	0	49,971	27,072	8,834	0	35,906
Sewer Network	65,999,095	27,683,873	0	0	93,682,968	4,903,561	3,441,846	0	8,345,408
Water Network	169,114,459	7,481,264	0	0	176,595,723	15,999,571	8,559,608	0	24,559,178
<b>Total carried forward</b>	<b>513,837,450</b>	<b>54,621,167</b>	<b>94,840</b>	<b>0</b>	<b>568,553,457</b>	<b>54,783,971</b>	<b>30,348,297</b>	<b>0</b>	<b>85,132,268</b>
<b>Community Assets</b>									<b>483,421,189</b>
Clinics	3,268,906	2,261,158	47,126	0	5,577,190	155,249	109,787	0	265,036
Community Centres	9,977,602	1,028,402	0	0	11,006,004	366,688	330,088	0	696,776
Electricity Substations	0	0	0	0	0	0	0	0	10,309,228
Flood Lights	0	0	0	0	0	0	0	0	0
Housing	161,398	0	0	0	161,398	5,581	5,395	0	10,976
Landfill Sites	137,798	1,424,235	0	0	1,562,032	5,570	4,451	0	10,021
Libraries	2,175,644	3,513,096	0	0	5,688,740	108,435	72,720	0	181,155
Municipal Offices	17,361,105	12,420,952	15,717	0	29,797,774	705,126	576,830	0	1,281,956
Old Age Homes	199,260	0	0	0	199,260	7,832	6,660	0	14,492
Sport Facilities	2,422,321	3,981,094	0	0	6,403,415	229,616	107,867	0	337,483
Taxi Ranks	29,800	0	0	0	29,800	1,425	996	0	2,421
Water Pump Stations	0	0	0	0	0	0	0	0	0
CBD Development	0	0	0	0	0	0	0	0	0
<b>Total carried forward</b>	<b>35,733,834</b>	<b>24,628,938</b>	<b>62,843</b>	<b>0</b>	<b>60,425,614</b>	<b>1,585,520</b>	<b>1,214,795</b>	<b>0</b>	<b>2,800,315</b>
	<b>577,791,774</b>	<b>79,552,295</b>	<b>157,663</b>	<b>0</b>	<b>657,501,752</b>	<b>56,369,491</b>	<b>31,563,092</b>	<b>0</b>	<b>569,569,169</b>
									<b>87,932,583</b>

**APPENDIX B**  
**MIDVAAL LOCAL MUNICIPALITY : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2008**

	Cost				Accumulated Depreciation			Carrying Value 30-Jun-08	
	Adjusted opening balance	Work in progress	Additions	Disposals	Closing Balance 30-Jun-08	Adjusted opening balance	Depreciation	Depreciation on disposals	Closing Balance 30-Jun-08
<b>Total brought forward</b>	<b>577,791,774</b>	<b>79,552,295</b>	<b>157,683</b>	<b>-</b>	<b>657,501,752</b>	<b>56,369,491</b>	<b>31,563,092</b>	<b>-</b>	<b>87,932,583</b>
<b>Other Assets</b>									<b>569,569,169</b>
Computer Equipment	1,458,771	33,263	368,966	(41,919)	1,819,081	645,836	287,373	(34,712)	898,497
Emergency Equipment	702,761	0	45,913	-	748,673	162,108	74,602	-	236,710
Furniture & Fittings	2,096,809	5,484	926,313	(60,534)	2,968,072	851,667	343,235	(35,254)	1,155,648
Machinery & Equipment	6,090,818	160,860	1,450,366	(427,781)	7,274,263	1,909,833	916,775	(153,532)	2,673,076
Motor vehicles	15,208,827	102,495	3,873,411	(2,488,960)	16,695,773	7,425,356	2,939,713	(2,158,917)	8,206,152
Office Equipment	724,582	0	108,799	(9,588)	823,793	379,129	200,374	(9,588)	569,915
Refuse Containers	291,024	27,025	114,726	-	432,775	47,463	31,260	-	78,723
					0				0
									0
<b>Total</b>	<b>26,573,592</b>	<b>329,126</b>	<b>6,988,494</b>	<b>(3,028,782)</b>	<b>30,762,430</b>	<b>11,421,392</b>	<b>4,793,332</b>	<b>(2,392,004)</b>	<b>13,822,721</b>
									<b>16,939,710</b>
<b>Total</b>	<b>604,365,366</b>	<b>79,881,421</b>	<b>7,046,177</b>	<b>(3,028,782)</b>	<b>688,264,182</b>	<b>67,790,883</b>	<b>36,356,424</b>	<b>(2,392,004)</b>	<b>101,755,304</b>
									<b>586,508,879</b>

**APPENDIX C**

**MIDVAAL LOCAL MUNICIPALITY**  
**: SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2008**

	Cost/Revaluation						Accumulated Depreciation						Carrying Value R
	Opening Balance R	Work in progress R	Additions R	Disposals R	Closing Balance R	Opening Balance R	Depreciation R	Depreciation on disposals R	Closing Balance R	Depreciation R			
Executive and Council	20,355,278	15,218	19,993	(5,153)	20,425,337	1,457,172	830,648	(4,156)	2,283,664	18,141,673			
Finance and Admin	6,009,846	8,528,101	2,282,267	(214,518)	16,615,695	2,193,349	664,466	(820,171)	2,037,645	14,578,050			
Planning and Development	15,961,750	2,304,391	31,205	(6,850)	18,250,497	375,499	281,833	(5,266)	652,066	17,638,431			
Health	90,449	5,231,714	51,522	(21,013)	5,352,673	31,027	11,160	(4,500)	37,587	5,314,986			
Housing	168,300	-	-	(11)	168,289	9,866	6,494	(8)	16,352	151,956			
Community and Social Services	8,727,740	5,996,080	435,571	(117,726)	15,041,665	1,647,386	738,263	(43,670)	2,341,979	12,689,686			
Sport and Recreation	-	-	-	-	-	-	-	-	-	-			
Social Services	16,600,376	2,120,720	61,261	(3,742)	18,778,614	419,861	226,923	(2,621)	643,663	18,134,751			
Waste Management	683,757	9,667,752	143,250	(239,269)	10,255,491	110,920	77,214	(55,332)	132,802	10,122,689			
Waste Water Management	67,295,443	27,584,357	1,750	(83,553)	94,797,997	4,896,929	3,443,817	(72,473)	8,268,272	86,529,725			
Road transport	193,881,325	1,693,290	138,436	(1,060,240)	194,652,811	27,311,935	14,405,020	(806,646)	40,910,309	153,742,502			
Water	178,154,624	4,845,677	-	(1,201,223)	181,769,077	18,923,732	9,866,068	(562,256)	28,227,544	153,541,533			
Electricity	92,921,269	11,809,960	100,258	(51,061)	104,780,427	9,214,157	4,953,864	(7,525)	14,160,496	90,619,931			
Protection Services	3,170,395	-	3,678,936	(22,033)	6,827,298	1,068,123	788,814	(5,553)	1,851,684	4,975,614			
Other	334,812	84,161	91,727	(2,388)	508,311	130,626	62,140	(1,825)	19,040	317,371			
<b>Total</b>	<b>604,365,364</b>	<b>79,881,421</b>	<b>7,046,177</b>	<b>(3,028,780)</b>	<b>688,264,182</b>	<b>67,730,882</b>	<b>36,356,424</b>	<b>(2,392,003)</b>	<b>101,755,303</b>	<b>586,508,879</b>			

**MIDVAAL LOCAL MUNICIPALITY**

**APPENDIX D: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2008**

	2007 Actual Income R	2007 Actual Expenditure R	2007 (Surplus)/ Deficit R	2008 Actual Income R	2008 Actual Expenditure R	2008 (Surplus)/ Deficit R
(573,971)	18,635,966	18,061,995	Executive & Council	(3,780,847)	20,856,875	17,076,028
(58,068,279)	26,335,150	(31,733,129)	Finance & Admin	(76,920,237)	27,271,210	(49,649,027)
(25,789,274)	9,466,165	(16,323,109)	Planning & Development	(3,137,512)	11,270,884	8,133,372
-	5,129,812	5,129,812	Health	(6,441,975)	4,930,734	(1,511,241)
(8,993,188)	5,593,567	(3,399,621)	Community & Social Services	(2,735,451)	7,427,364	4,691,913
(8,341,295)	496,577	(7,844,718)	Housing	-	573,797	573,797
(2,337,540)	17,116,618	14,779,078	Public Safety	(1,911,706)	19,373,467	17,461,761
(1,185,160)	10,953,716	9,768,556	Sport & Recreation	(2,880,996)	11,510,748	8,629,752
(1,177,036)	1,177,036	-	Environmental Protection	(1,246,635)	1,258,157	11,522
(38,429,045)	36,088,144	(2,340,901)	Waste Management	(34,010,868)	35,436,486	1,425,618
-	45,100,135	45,100,135	Road Transport	(2,939,658)	36,903,179	33,963,521
(57,289,516)	58,247,876	958,360	Water	(60,627,725)	52,977,410	(7,650,315)
(72,923,759)	60,313,966	(12,609,793)	Electricity	(86,506,161)	72,402,599	(14,103,562)
(78,126)	603,293	525,167	Engineering Administration	-	1,076,571	1,076,571
			Sub Total	(283,139,771)	303,269,481	20,129,710

**MIDVAAL LOCAL MUNICIPALITY**  
**APPENDIX E(1): ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2008**

		2008 Actual (R)	2008 Budget (R)	Variance (R)	2008 Variance (%)	Explanation of Significant Variances greater than 10% versus Budget
<b>REVENUE</b>						
Property rates	53,178,407	55,526,849	(2,348,442)	(4.23)		
Service charges	128,682,604	141,639,141	(13,016,537)	(9.19)	Overbudget and growth not as high as expected	
Rental of facilities and equipment	95,030	600,000	358,030	59.67	Higher demand than expected	
Interest earned - external investments	5,035,572	4,000,000	1,035,572	25.89	Increase in interest rates and in investments during the year	
Interest earned - outstanding debtors	4,537,097	3,800,000	737,097	19.40	Increase in interest rates	
Government grants and subsidies	55,344,550	44,706,626	10,637,924	23.79	Receive more contributions than expected	
Fines	1,716,183	1,812,000	(95,817)	(5.29)		
Other income	33,687,328	34,639,806	(972,478)	(2.81)		
<b>Total Revenue</b>	<b>283,139,771</b>	<b>286,804,422</b>	<b>(3,664,651)</b>	<b>(1.28)</b>		
<b>EXPENDITURE</b>						
Executive & Council	20,856,875	23,732,431	(2,875,556)	(12.12)	Saving on employee related cost	
Finance & Admin	27,271,210	29,627,212	(2,356,002)	(7.95)	Saving on general expenditure and depreciation	
Planning & Development	11,270,884	11,787,677	(516,793)	(4.38)		
Health	4,930,734	4,883,527	47,207	0.97		
Community & Social Services	7,427,364	9,665,008	(2,237,644)	(23.15)	Saving on contracted services and depreciation	
Housing	573,797	585,640	(11,843)	(2.02)		
Public Safety	19,373,467	20,003,201	(629,734)	(3.15)		
Sport & Recreation	11,510,748	13,357,153	(1,846,405)	(13.82)	Saving on depreciation	
Environmental Protection	1,258,157	1,441,111	(182,954)	(12.70)	Saving on general expenditure	
Waste Management	35,436,486	40,465,711	(4,765,988)	(11.78)	Saving on general expenditure and depreciation	
Road Transport	36,699,723	51,990,899	(15,087,720)	(29.02)	Saving on depreciation	
Water	52,977,410	60,334,848	(7,357,438)	(12.19)	Saving on depreciation	
Electricity	72,402,599	74,449,718	(2,047,119)	(2.75)		
Engineering Administration	1,076,571	480,543	596,028	124.03	Overspend on employee related costs	
<b>Total Expenditure</b>	<b>303,532,718</b>	<b>342,804,679</b>	<b>(39,271,961)</b>	<b>(11.46)</b>		
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>(20,392,947)</b>	<b>(56,000,257)</b>				

**MIDVAAL LOCAL MUNICIPALITY**

**APPENDIX E(2): ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2008**

	<b>2008 Actual</b>	<b>2008 Budget</b>	<b>2008 Variance</b>	<b>2008 Explanation of Significant Variances greater than 5% versus Budget</b>
Executive & Council	R 9,641,447	R 10,991,100	R 1,349,653	12.28 Balance transferred to 08/09 financial year
Finance & Admin	R 382,988	R 431,200	R 48,212	11.18 Re allocation to new offices did realise
Planning & Development	R 2,353,736	R 4,788,000	R 2,434,264	50.84 CBD Upgrade roll over to 08/09 financial year
Health	R 1,654,677	R 1,669,000	R 14,323	0.86
Community & Social Services	R 726,888	R 860,900	R 134,012	15.57 Unspend grant transfer to 20/09
Parks & Recreation	R 3,466,786	R 5,292,000	R 1,825,214	34.49 Balance transferred to 08/09 financial year
Engineering Admin	R 26,421	R 35,000	R 8,579	24.51 Over budgeted
Main Sewer	R 26,984,833	R 27,326,500	R 341,667	1.25
Purification	R 10,987,360	R 11,200,000	R 212,641	1.90
Solid Waste	R 167,912	R 760,500	R 592,588	77.92 Land permission not finalised
Road Transport	R 8,853,476	R 10,005,715	R 1,152,239	11.52 Balance transferred to 08/09 financial year
Water	R 5,293,716	R 5,962,500	R 668,784	11.22 Over budgeted actual work cost less
Electricity	R 13,546,489	R 13,887,000	R 340,511	2.45
Fire	R 2,841,195	R 2,850,000	R 8,805	0.31
<b>TOTAL</b>	<b>R 86,927,925</b>	<b>R 96,059,415</b>	<b>R 9,131,490</b>	<b>R 9,51</b>

## APPENDIX F (1) - ELECTRICITY STATISTICS

### NUMBER OF CONSUMERS

(DOMESTIC/COMMERCIAL)

2003/04	6,269
2004/05	8,763
2005/06	9,016
2006/07	10,119

### NUMBERS OF UNITS PURCHASED

2003/04	163,197,352
2004/05	160,508,563
2005/06	172,460,816
2006/07	182,952,040

### NUMBERS OF UNITS SOLD

2003/04	151,336,377
2004/05	150,720,814
2005/06	150,979,829
2006/07	170,721,715

### LOSS OCCURRED WITH DISTRIBUTION

	UNITS	R	%
2003/04	11,860,975	1,991,292	7.27
2004/05	9,787,749	1,595,667	6.10
2005/06	21,480,987	3,743,949	12.46
2006/07	12,230,325	2,273,001	6.68

### COST PER UNIT PURCHASED

2003/04	16.79
2004/05	16.30
2005/06	17.43
2006/07	18.58

### COST PER UNIT SOLD

2003/04	26.80
2004/05	27.33
2005/06	29.25
2006/07	30.11

### INCOME PER UNIT SOLD

2003/04	29.86
2004/05	32.49
2005/06	33.97
2006/07	33.37

## APPENDIX F (2) - WATER STATISTICS

### NUMBER OF CONSUMERS

(DOMESTIC/COMMERCIAL)

2003/04	11,828
2004/05	12,067
2005/06	12,504
2006/07	12,764

### NUMBER OF KILOLITRE PURCHASED/PURIFIED

2003/04	9,001,237
2004/05	8,600,552
2005/06	9,081,412
2006/07	10,293,574

### NUMBER OF KILOLITRE SOLD

2003/04	6,707,865
2004/05	6,674,394
2005/06	6,540,426
2006/07	7,440,042

### LOSS OCCURRED WITH DISTRIBUTION

	KILOLITRE	R	%
2003/04	2,293,372	5,765,014	25.48
2004/05	1,926,158	5,114,794	22.40
2005/06	2,540,986	7,109,958	27.98
2006/07	2,853,532	8,271,412	27.72

### COST PER KILOLITRE PURCHASED/PURIFIED

2003/04	251.38
2004/05	265.54
2005/06	279.81
2006/07	289.87

### COST PER KILOLITRE SOLD

2003/04	454.32
2004/05	486.31
2005/06	526.12
2006/07	549.28

### INCOME PER KILOLITRE SOLD

2003/04	471.38
2004/05	512.44
2005/06	540.28
2006/07	565.80



Mr ASA de Klerk  
Municipal Manager  
Midvaal Local Municipality  
P O Box 9  
Meyerton  
1960

30 November 2008

Reference: TS 98 19611/2

Dear Mr de Klerk

**Report of the Auditor-General on the financial statements and performance information of Midvaal Local Municipality for the year ended 30 June 2008**

1. The above-mentioned report of the Auditor-General is submitted herewith in terms of section 21(1) of the Public Audit Act, 2004 (Act No. 25 of 2004) read in conjunction with section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996) and section 121(3) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003)(MFMA).
2. In terms of section 121(3) and 127(2) of the MFMA, municipalities have to include the audit report in the municipality's annual report for tabling within seven months after the end of the financial year. **This report must also please be referred to the Municipal Standing Committee on Public Accounts**
3. Until tabled as required by section 127(2) the report is **not a public document** and should therefore be treated as **confidential**.
4. As your municipality will be responsible for publishing the attached audit report as part of the annual report, you are required to do the following:
  - Submit the final printer's proof of the annual report (which includes the audit report) to the relevant audit manager of the Auditor-General for verification of the audit-related references before it is printed or copied. Special care should be taken with the page references in your report, since an incorrect reference could have audit implications.
  - The signature at the end of the hard copy of the audit report should be scanned in when preparing to print the report. The signature Auditor-General in the handwriting of the auditor authorised to sign the audit report, as well as the place and date of signing and the logo should also appear at the end of the report, as in the hard copy that is provided to you. The official logo and the authorised signature will be made available to you in electronic format if required.
5. **Ten (10) copies of the report must be submitted immediately after printing to the following address:**

Auditor-General  
Att: Parliamentary Manager  
61 Central Street  
Houghton

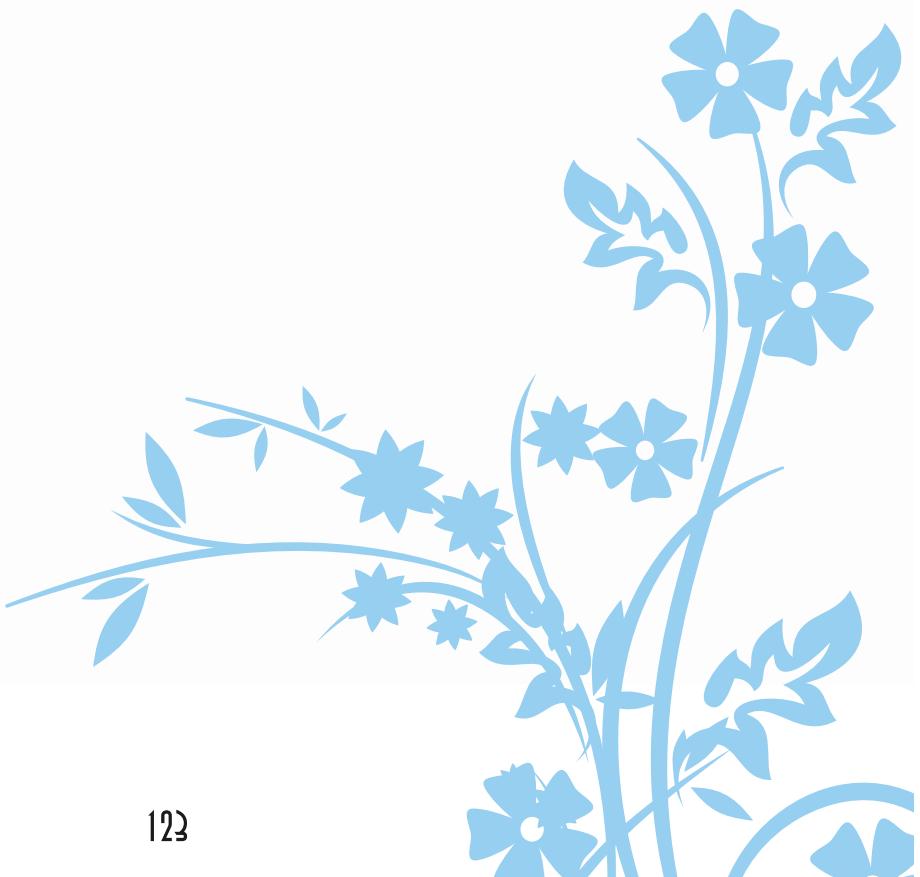
6. Please notify the Provincial Auditor-General (Business Executive) well in advance of the date on which the audit report, or the annual report containing this audit report, will be tabled.
7. Your cooperation to ensure that all these requirements are met would be much appreciated.
8. Kindly acknowledge receipt of this letter.

Yours sincerely



Vusi Msibi  
Operations Leader: Gauteng

Enquiries: Ockie Ludick  
Telephone: (011) 703-7638  
Fax: (011) 703-7699  
Email: ockiel@agsa.co.za



**REPORT OF THE AUDITOR-GENERAL TO THE GAUTENG PROVINCIAL LEGISLATURE AND  
THE COUNCIL ON THE ANNUAL FINANCIAL STATEMENTS AND PERFORMANCE  
INFORMATION OF Midvaal Local Municipality FOR THE YEAR ENDED 30 JUNE 2008**

**REPORT ON THE FINANCIAL STATEMENTS**

**Introduction**

1. I have audited the accompanying annual financial statements of the Midvaal Local Municipality which comprise the statement of financial position as at 30 June 2008, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 92 to 119.

**Responsibility of the accounting officer for the financial statements**

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting determined by the National Treasury as set out in accounting policy note 1 to the financial statements and in the manner required by the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA). This responsibility includes:
  - designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
  - selecting and applying appropriate accounting policies
  - making accounting estimates that are reasonable in the circumstances.

**Responsibility of the Auditor-General**

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004), my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing and *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.



6. An audit also includes evaluating the:
  - appropriateness of accounting policies used
  - reasonableness of accounting estimates made by management
  - overall presentation of the financial statements.
7. Paragraph 11 *et seq.* of the Statement of Generally Recognised Accounting Practice, GRAP 1 *Presentation of Financial Statements* requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is not effective for this financial year, I have determined that my audit of any disclosures made by the Midvaal Local Municipality in this respect will be limited to reporting on non-compliance with this disclosure requirement.
8. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### **Basis of accounting**

9. The municipality's policy is to prepare financial statements on the basis of accounting determined by the National Treasury, as set out in accounting policy note 1 to the financial statements.

#### **Opinion**

10. In my opinion, the financial statements present fairly, in all material respects, the financial position of Midvaal Local Municipality as at 30 June 2008 and its financial performance and cash flows for the year then ended, in accordance with the basis of accounting determined by the National Treasury as set out in accounting policy note 1 to the financial statements and in the manner required by the MFMA.

#### **Emphasis of matters**

Without qualifying my audit opinion, I draw attention to the following matters

#### **Basis of accounting**

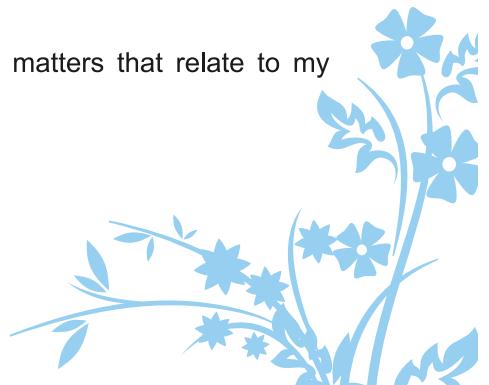
11. As set out in accounting policy note 1, the National Treasury approved a deviation from the basis of accounting applicable to the municipality in terms of General Notice 522 of 2007, issued in Government Gazette No. 30013 of 29 June 2007.

#### **Water losses**

12. As disclosed in note 25.4 to the financial statements water not accounted for as a percentage of water available for distribution, amounted to approximately 31.48% (2007: 27.72%). Calculated at the average cost of water purchased, the loss in the distribution amounted to approximately R 8 649 938 (2007: R 8 271 000).

#### **OTHER MATTERS**

Without qualifying my audit opinion, I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:



## Non-compliance with applicable legislation

13. In terms of section 36(2) of the GNR.868 of 30 May 2005: Municipal Supply Chain Management Regulations, 'The accounting officer must record the reasons for any deviations in terms of subregulation (1) (a) and (b) and report them to the next meeting of the council, or board of directors in the case of a municipal entity, and include as a note to the annual financial statements.' The requirements of this section were not complied with as the municipality failed to disclose the deviations that took place in the current financial year.

## Matters of governance

14. The MFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of certain key governance responsibilities, which I have assessed as follows:

Matter of governance	Yes	No
<b>Audit committee</b>		
• The municipality had an audit committee in operation throughout the financial year	X	
• The audit committee operates in accordance with approved, written terms of reference.	X	
• The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA.	X	
<b>Internal audit</b>		
• The municipality had an internal audit function in operation throughout the financial year	X	
• The internal audit function operates in terms of an approved internal audit plan.	X	
• The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165 (2) of the MFMA.	X	
<b>Other matters of governance</b>		
• The annual financial statements were submitted for audit as per the legislated deadlines as set out in section 126 of the MFMA.	X	
• The annual report was submitted to the auditor for consideration prior to the date of the auditor's report.	X	
• The financial statements submitted for audit were not subject to any material amendments resulting from the audit.		X
• No significant difficulties were experienced during the audit concerning delays or the unavailability of expected information and/or unavailability of senior management.	X	
• Prior year external audit recommendations have been substantially implemented.	X	
<b>Implementation of Standards of Generally Recognised Accounting Practice (GRAP)</b>		
• The municipality submitted an implementation plan, detailing progress towards full compliance with GRAP, to the National Treasury and the relevant provincial treasury before 30 October 2007.	X	

Matter of governance	Yes	No
<ul style="list-style-type: none"> <li>The municipality substantially complied with the implementation plan it submitted to the National Treasury and the relevant provincial treasury before 30 October 2007, detailing its progress towards full compliance with GRAP.</li> </ul>	X	
<ul style="list-style-type: none"> <li>The municipality submitted an implementation plan, detailing further progress towards full compliance with GRAP, to the National Treasury and the relevant provincial treasury before 31 March 2008.</li> </ul>	X	

#### **Unaudited supplementary schedule**

15.The supplementary information set out on pages 120 to 121 does not form part of the financial statements and is presented as additional information. I have not audited this schedule and accordingly I do not express an opinion thereon.

#### **OTHER REPORTING RESPONSIBILITIES**

#### **REPORT ON PERFORMANCE INFORMATION**

16.I have reviewed the performance information as set out on pages 16 to 84.

#### **Responsibility of the accounting officer for the performance information**

17.In terms of section 121(3)(c) of the MFMA, the annual report of a municipality must include the annual performance report of the municipality prepared by the municipality in terms of section 46 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).

#### **Responsibility of the Auditor-General**

18.I conducted my engagement in accordance with section 13 of the PAA read with General Notice 616 of 2008, issued in Government Gazette No. 31057 of 15 May 2008 and section 45 of the MSA.

19.In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

20.I believe that the evidence I have obtained is sufficient and appropriate to report that no significant findings were identified as a result of my audit.

## APPRECIATION

21. The assistance rendered by the staff of the Midvaal Local Municipality during the audit is sincerely appreciated.

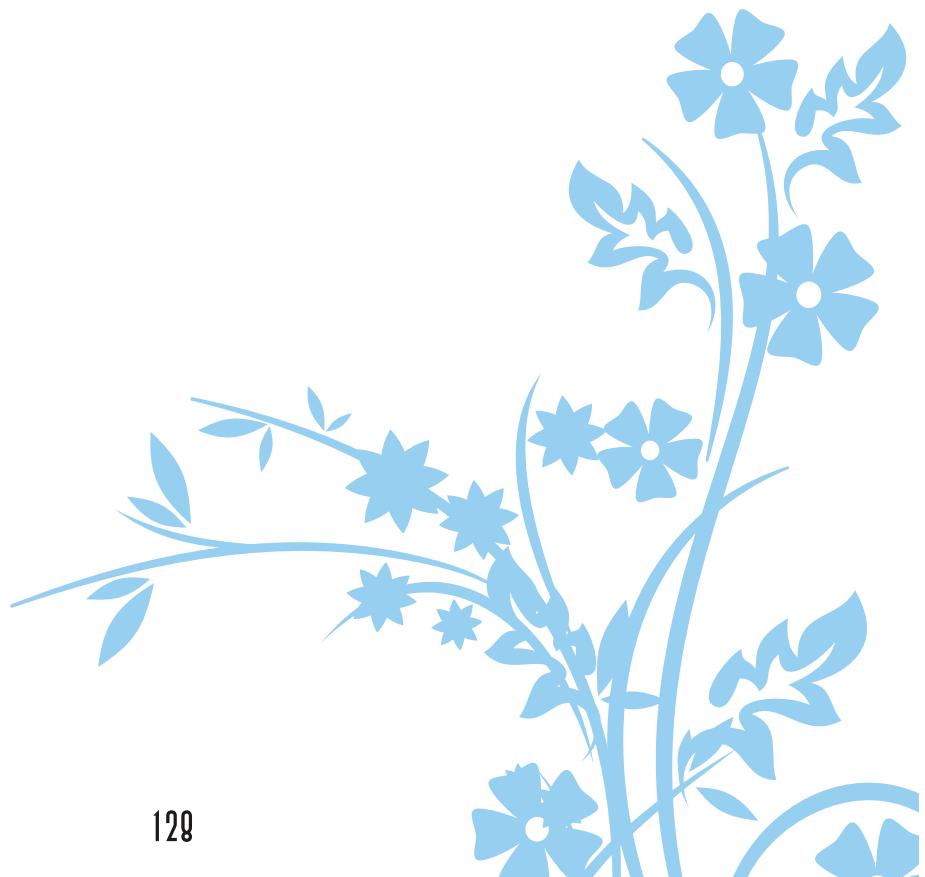
*Auditor-General*

Johannesburg

30 November 2008



A U D I T O R - G E N E R A L



## RESPONSE TO THE AUDITOR GENERAL'S REPORT

### Water losses

#### Auditor General:

As disclosed in note 25.4 to the financial statements water not accounted for as a percentage of water available for distribution, amounted to approximately 31.48% (2007: 27.72%). Calculated at the average cost of water purchased, the loss in the distribution amounted to approximately R8 649 938 (2007: R8 271 000).

**An Income protection unit was established within the Engineering department to reduce the unaccounted water of Council.**

### Non-compliance with applicable legislation

#### Auditor General:

In terms of section 36(2) of the GNR.868 of 30 May 2005: Municipal Supply Chain Management Regulations, 'The accounting officer must record the reasons for any deviations in terms of subregulation (1)(a) and (b) and report them to the next meeting of the council, or board of directors in the case of a municipal entity, and include as a note to the annual financial statements'. The requirements for this section were not complied with as the municipality failed to disclose the deviations that took place in the current financial year.

#### Midvaal:

**Management is convinced that appropriate controls are in place to mitigate the risks in the supply chain process. We believe that the correct procedures were followed whereby year contracts are concluded with respect to store items. Midvaal Local Municipality does not have stores and therefore the year tender provide that items should be available after hours. It must be stressed that the normal procurement procedures was followed and items referred to therefore does not have to be reported to Council.**

### Matters of governance

#### Auditor General:

The MFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of certain key governance responsibilities, which I have assessed as follows:

The financial statements submitted for audit were subject to material amendments resulting from the audit.

**Midvaal:**

**As a result of the audit, amendments had to be made regarding disclosed amounts of the public contribution reserve and the capital replacement reserve between the statement of financial performance and the statement of changes in reserves. This has subsequently been corrected.**

**Unaudited Supplementary Schedule**

**Auditor General:**

The supplementary information set out on pages 120 to 121 does not form part of the financial statements and is presented as additional information. I have not audited this schedule and accordingly I do not express an opinion thereon.

**Midvaal:**

**Supplementary schedules were submitted for completeness sake.**

Grant Details		Amount received and spent each quarter												
Grant Name Purpose/Project	Opening Balance 01 July 2007	1 July 2007 to 30 Sept 2007			1 Oct 2007 to 31 Dec 2007			1 Jan 2008 to 30 March 2008			1 April 2008 to 30 June 2008			Total
		Rec	Exp	Rec	Exp	Rec	Exp	Rec	Exp	Rec	Exp	Rec	Exp	
Equitable Share	0	6,302,246	4,556,994	4,726,685	4,556,994	7,199,045	4,556,994	9,706	0	4,556,994	0	18,227,976	18,227,976	
MIG	1,437,219	1,130,000	1,472,208	1,690,000	2,991,851	229,970	0	0	0	2,988,426	7,547,189	7,462,191	7,462,191	
Sicelo Early Learning Centre	898,043	0	367,000	359,100	367,000	0	269,031	0	0	425,194	898,043	694,225	694,225	
MSIG	0	0	0	0	0	0	0	0	0	0	0	734,000	734,000	
Extension to Clinic (Prov)	1,018,970	0	5,222	0	87,871	858,830	177,192	0	1,245,568	1,877,800	1,877,800	1,515,853	1,515,853	
HIV Programme	900,000	0	312,863	0	374,101	560,000	272,959	0	0	121,870	1,460,000	1,081,793	1,081,793	
Provincial Health Subsidy	0	0	1,178,906	1,623,526	1,287,318	2,076,793	1,200,176	2,741,653	1,264,328	6,441,972	6,441,972	4,930,728	4,930,728	
Environmental Health	0	248,118	248,678	284,640	284,080	311,394	311,394	402,478	402,478	1,246,630	1,246,630	1,246,630	1,246,630	
FMG	183,500	500,000	60,000	0	60,000	0	0	60,000	0	60,000	683,500	240,000	240,000	
Dept of Sport, Art & Recreation	200,000	0	117,780	291,500	274,681	1,448,000	332,764	0	0	710,277	1,939,500	1,435,502	1,435,502	
	4,637,732	8,547,364	8,311,751	8,983,351	10,560,827	12,684,032	6,921,185	6,204,131	11,775,135	41,056,610	37,568,898			

IMPLEMENTATION PLAN FOR FULL COMPLIANCE WITH SECTIONS 122(2) AND (3) OF THE MUNICIPAL FINANCE MANAGEMENT ACT,  
 ACT 56 OF 2003 – HIGH CAPACITY MUNICIPALITIES, MEDIUM CAPACITY MUNICIPALITIES CONVERTED TO GRAP STANDARDS AND  
 MEDIUM CAPACITY MUNICIPALITIES CONVERTED TO GRAP STANDARDS

Name of Municipality:	Midvaal Local Municipality	Demarcation Code:	422 GP	Capacity:	Medium
Name of preparer:	MJ Pretorius	Date completed:	30 October 2007		
Contact details:	016 360 7417	Financial period:	2007/08 & 2008/09		
Financial reporting standard	Extent of exemption from standard	Milestones to be achieved to comply with exemption	Interim requirement(s) applicable during the exemption period	Person responsible	Estimate date of compliance
Property, plant and equipment [GRAP 17]	Review of useful life of items of PPE recognized in the annual financial statements <i>[Paragraphs 59 – 61, and 77]</i>	<ol style="list-style-type: none"> <li>1. Verification of assets to determine correctness initial useful life</li> <li>2. Define periodically:           <ul style="list-style-type: none"> <li>Was the useful life extended subsequent expenditure on the asset which improves the condition of the asset beyond its most recently assessed standard of performance?</li> <li>Were there technological changes or changes in the market for the products may reduce the useful life of the asset?</li> </ul> </li> </ol>	<ul style="list-style-type: none"> <li>Previous adjustments to depreciation charges due to revised estimations of useful lives may not be reversed.</li> </ul>	Budget Office Y White	28 January 2009
	Review of depreciation method applied to PPE recognized in the annual financial statements <i>[Paragraphs 62 and 77]</i>	<ol style="list-style-type: none"> <li>1. Choice between:           <ul style="list-style-type: none"> <li>Straight line method</li> <li>Sum of units method</li> <li>Diminishing balance method</li> </ul> </li> </ol>	<ul style="list-style-type: none"> <li>Previous adjustments to depreciation charges due to revised depreciation methods may not be reversed</li> </ul>	Budget Office Y White	28 January 2009

Financial reporting standard	Extent of exemption from standard	Milestones to be achieved to comply with exemption	Interim requirement(s) applicable during the exemption period	Person responsible	Estimate date of compliance
Impairment of non-cash-generating assets <i>[paragraphs 64 – 69 and 75(e)(v) – (vi)]</i>	1. Assess an item or a group of identical items of property, plant and equipment in order to assess whether or not the recoverable amount has declined below the carrying amount.  2. The amount of the reduction shall be recognized as an expense or reversed against a Revaluation Reserve.	• Voluntary narrative disclosure may be included in the 'PPE' note about impaired items of PPE.	Budget Office Y White	28 January 2009	
Impairment of cash-generating assets <i>[paragraphs 63 and 75(e)(v) – (vi)]</i>	1. Apply the International Accounting Standard on <i>Impairment of Assets</i>	• Voluntary narrative disclosure may be included in the 'PPE' note if the entity is aware that an item of PPE is impaired	Budget Office Y White	28 January 2009	
Impairment of Assets <u>[AS 36/AC 128]</u>	1. Review of assets to ascertain whether impairment is needed  2. Develop the procedure to follow if an asset is carried at more than its recoverable amount (if its carrying amount exceeds the amount to be recovered through use or sale of the asset)  3. Impairment tests may be performed at any time during an annual period provided it is performed at the same time every year.  4. Measure recoverable amounts of the following types of intangible assets annually whether or not there is any indication that it may be impaired: <ul style="list-style-type: none"><li>• an intangible asset with an indefinite useful life.</li><li>• an intangible asset not yet available for use.</li><li>• goodwill acquired in a business combination.</li></ul>	• Voluntary narrative disclosure may be included in the appropriate asset note if the entity is aware that a specific asset is impaired.	Budget Office Y White	28 May 2009	

Financial reporting standard	Extent of exemption from standard	Milestones to be achieved to comply with exemption	Interim requirement(s) applicable during the exemption period	Person responsible	Estimate date of compliance
<b>Inventories</b> <b>[GAMAP 12]</b>	The entire standard as far as it relates to immovable capital assets inventory that is accounted for in terms of GAMAP 17	<p>1. Develop a complete register of all immovable assets</p>	<p>Items of immovable capital assets that meet the 'inventory' definition:</p> <ul style="list-style-type: none"> <li>must be accounted for in accordance with GAMAP 12 if they were previously accounted for as inventory.</li> <li>may be accounted for in accordance with either GAMAP 12 or GAMAP 17 if they were not previously accounted for as inventory.</li> </ul> <p>If accounted for in accordance with GAMAP 17, narrative disclosure must be included in the 'PPE' note stating that PPE may include inventory.</p>	Budget Office Y White	30 June 2009
<b>Investment Property</b> <b>[IAS 40/AIC 135]</b>	The entire standard to the extent that the property is accounted for in terms of GAMAP 17	<p>1. Put measures in place to be able to measure the water in the pipes and reservoirs, bought but not yet sold, at yearend</p> <ul style="list-style-type: none"> <li>Estimate the amount of water stock on hand and:</li> <li>Prepare and present working papers in support of this calculation to the auditors;</li> <li>include the procedures, methods and assumptions made in estimating the purchased water stock on hand in the working paper;</li> <li>indicate who was responsible for the estimation and who approved the figure prior to the recognition in the annual financial statements; and</li> <li>attach any substantiating evidence to the working papers</li> </ul>	<p>2. Any water purification costs incurred for non-purchased water must be capitalized as part of inventory. Pre-purified non-purchased water should not be capitalized as part of inventory.</p> <p>Narrative disclosure must be included in the 'Inventory' note stating that the municipality has capitalized all purchased water inventory, but that only purification costs were capitalized in respect of non-purchased water inventory.</p>	Accountant Income	30 June 2008

Financial reporting standard	Extent of exemption from standard	Milestones to be achieved to comply with exemption	Interim requirement(s) applicable during the exemption period	Person responsible	Estimate date of compliance	
			<ul style="list-style-type: none"> <li>may be accounted for in accordance with either IAS 40 or GAMAP 17 if they were not previously accounted for as investment property.</li> </ul> <p>If accounted for in accordance with GAMAP 17, narrative disclosure must be included in the PPE note stating that PPE may include investment property.</p>	Budget Office Y White	30 June 2008	
Leases [IAS 17/AC 105]	Disclosure of the fair value of investment property if the cost model is applied and where the municipality has recognized the investment property in terms of the standard <i>[paragraphs 79(e)(i) – (iii)]</i>	<ol style="list-style-type: none"> <li>Determination of the extent to which the fair value of investment property is based on a valuation by an independent valuer</li> <li>Identification of land held for current undetermined use</li> <li>Identification of all transfers and disposals</li> <li>Accounting for gains or losses</li> <li>Identification of compensation from third parties for investment property impaired, lost or given up.</li> </ol>	<ol style="list-style-type: none"> <li>Identification of operating lease payments/receipts where the amounts were recognized on a basis of the cash flows in the lease agreements</li> <li>Calculation of straight-line basis/</li> </ol>	<ul style="list-style-type: none"> <li>The operating lease payments / receipts must be recognised on the basis of the cash flows in the lease agreement.</li> </ul> <p><i>[SAICA circular 12/06 paragraphs 8 – 11 and paragraphs 33, 34, 50, 51 of IAS 17/AC 105]</i></p>	Budget Office Y White	30 June 2009
Intangible	The entire standard	<ol style="list-style-type: none"> <li>Identification of, for each class of</li> </ol>	<ul style="list-style-type: none"> <li>Costs incurred on computer software and websites</li> </ul>	Budget Office	30 June 2009	

Financial reporting standard	Extent of exemption from standard	Milestones to be achieved to comply with exemption	Interim requirement(s) applicable during the exemption period	Person responsible	Estimate date of compliance
Assets [IAS 38/AC 129]	except for the recognition, measurement and disclosure of computer software equipment and website costs (SIC 32/AC 432) and all other costs are expensed	intangible assets: <ul style="list-style-type: none"> <li>useful life or amortization rate</li> <li>amortization method</li> <li>gross carrying amount</li> <li>accumulated amortization and impairment losses</li> <li>line items in the income statement in which amortization is included</li> <li>reconciliation of the carrying amount at the beginning and the end of the period</li> <li>basis for determining that an intangible has an indefinite life</li> <li>description and carrying amount of individually material intangible assets</li> </ul>	during the exemption period that meet the 'intangible asset' definition, must be accounted for in accordance with IAS 38. <ul style="list-style-type: none"> <li>All other costs incurred on intangible assets during the exemption period (other than on computer software and websites) must be expensed.</li> <li>Items of intangible assets that were recognised in the financial statements before the exemption period and that meet the 'intangible asset' definition must be accounted for in accordance with IAS 38.</li> </ul>		
Employee Benefits [IAS 19/AC 116]	Defined benefit accounting as far as it relates to defined benefit plans accounted for as defined contribution plans and the defined benefit obligation disclosed by narrative information.	1. Put systems and procedures in place for the: <ul style="list-style-type: none"> <li>Identification of post-employment benefits</li> <li>Identification of defined benefit plans</li> <li>Identification of defined contribution plans</li> <li>Determination of extend of short term compensated absences</li> </ul> 2. Gain an understanding of the calculations performed and terminology applied by the actuarial firm in the calculation of the municipality's defined benefit obligation <i>[paragraphs 29, 48 – 119, 120A(c)-(q)]</i>	<ul style="list-style-type: none"> <li>The plan must be accounted for as a defined contribution plan.</li> <li>Narrative disclosure must be included in a 'Post employment benefit' note stating the defined benefit obligation.</li> </ul> A defined benefit plan that was recognised in the statement of financial position before the exemption period must continue to be recognised at an amount equal to the 2005/06 year-end balance; i.e. movements in the balance are <b>not</b> accounted for during the exemption period. If the municipality qualified for and elected to apply IAS 19.155(b) on first adopting IAS 19, the initial phase-in period of (up to) five years is not extended with the exemption period.	Accountant Expenditure	30 June 2009

Financial reporting standard	Extent of exemption from standard	Milestones to be achieved to comply with exemption	Interim requirement(s) applicable during the exemption period	Person responsible	Estimate date of compliance
		<p>the end of the period in which the employee renders the service.</p> <ul style="list-style-type: none"> <li>Discounting of these contributions</li> <li>Accounting for defined benefit plans</li> <li>Accounting for defined contribution plans</li> </ul> <p>4. Identify changes in accounting policies Formulate changes in accounting policies</p>			
Revenue [GAMAP 9]	Initial measurement of fair value discounting all future receipts using an imputed rate of interest. <i>[SAICA circular 09/06 and paragraph 12]</i>	1. Identify the way of discounting the debtors	Revenue must initially be recognised at cost.	Acc Property Rates	30 June 2009
Financial Instruments: Recognition and Measurement [IAS 39/AC 133]	Initially measuring financial assets and financial liabilities at fair value. <i>[SAICA circular 09/06, paragraph 43, AG 79, AG 64 and AG 65 of IAS 39/ AC 133]</i>	1. Identification and accounting for: <ul style="list-style-type: none"> <li>Derecognition of a financial asset</li> <li>Derecognition of a financial liability</li> <li>Measurements</li> <li>Re-classifications</li> <li>Gains &amp; losses</li> <li>Impairment and uncollectability of financial assets</li> <li>Hedging</li> </ul>	<ul style="list-style-type: none"> <li>Financial assets and financial liabilities must initially be recognised at cost.</li> </ul> <p><b>Note:</b> Recognising financial liabilities at cost implies that the corresponding leg of the transaction must also initially be recognised at cost.</p>	Dir Finance	30 June 2009
Non-current Assets held for Sale and Discontinued Operations [IFRS 5/AC142]	Classification, measurement and disclosure of non-current assets held for sale. <i>[paragraphs 6 - 14, paragraphs 6 - 14,</i>	1. Put systems and procedures in place to identify Non-current Assets held for Sale and Discontinued Operations	<ul style="list-style-type: none"> <li>Discontinued operations must be accounted for in accordance with IFRS 05.</li> <li>Disposal of non-current assets must be accounted for in accordance with GAMAP 17, IAS 38, IAS 40 or IAS 41, as appropriate.</li> </ul>	Budget Office Y White	30 June 2008

Financial reporting standard	Extent of exemption from standard	Milestones to be achieved to comply with exemption	Interim requirement(s) applicable during the exemption period	Person responsible	Estimate date of compliance
Financial Instruments: Disclosures <u>IFRS 7/AC 144</u>	<i>15 – 29 (in so far as it relates to non-current assets held for sale), 38 – 42</i>	Entire Standard to be replaced by IAS 32 (AC 125) issued August 2006 and effective for financial statements covering periods beginning on or after 1 January 1998	<p>1. Determine the impact that the standard has on the existing accounting processes and procedures</p> <p>2. Perform changes to existing accounting processes and procedures</p> <p>3. Identify changes in accounting policies</p> <p>4. Formulate changes in accounting policies</p> <p>5. Put systems and procedures in place to ensure the correct disclosure of:</p> <ul style="list-style-type: none"> <li>• Balance sheet disclosures, including information about financial assets and financial liabilities by category, special disclosures when the fair value option is used</li> <li>• reclassifications, derecognitions, pledges of assets, embedded derivatives, and breaches of terms of agreements;</li> <li>• income statement and equity disclosures, including information gains, and losses; interest income and expense; fee income; and impairment losses; and</li> <li>• other disclosures, including information about accounting policies, hedge accounting, and the fair values of each class of financial asset and financial liability.</li> <li>• Information about the nature and extent of risks arising from financial</li> </ul>	Dir Finance	30 June 2009

Financial reporting standard	Extent of exemption from standard	Milestones to be achieved to comply with exemption	Interim requirement(s) applicable during the exemption period	Person responsible	Estimate date of compliance
		<ul style="list-style-type: none"> <li>qualitative disclosures about exposures to each class of risk and how those risks are managed and</li> <li>quantitative disclosures about exposures to each class of risk, separately for credit risk, liquidity risk, and market risk</li> </ul>			
Construction Contracts [AS11/AC109]	Entire Standard	<ol style="list-style-type: none"> <li>Determine the impact that the standard has on the existing accounting processes and procedures.</li> <li>Perform changes to existing accounting processes and procedures</li> <li>Identify changes in accounting policies</li> <li>Formulate changes in accounting policies.</li> <li>Put systems and procedure in place to identify all construction contracts.</li> <li>Collect all information of relevant construction contracts.</li> <li>Submit a recommendation regarding the following : <ul style="list-style-type: none"> <li>Identification of method used to determine revenue</li> <li>Identification of method used to determine stage of completion.</li> </ul> to the relevant committee or council for notice.</li> <li>Identify changes in accounting processes and procedures.</li> <li>Capacitate staff in the following accounting processes: <ul style="list-style-type: none"> <li>Reconciliation between reliable estimate of total contract revenue,</li> </ul> </li> </ol>	<ul style="list-style-type: none"> <li>Assets constructed in terms of a construction contract must be accounted for as inventory in accordance with GAMAP 12.</li> <li>The 'Inventory' note must disclose the amount of constructed assets included in inventory.</li> </ul> <p><b>Note:</b> Construction of own assets should be accounted for in terms of GAMAP 17, IAS 40 or IAS 38</p>	Budget Office Y White	30 June 2009

Financial reporting standard	Extent of exemption from standard	Milestones to be achieved to comply with exemption	Interim requirement(s) applicable during the exemption period	Person responsible	Estimate date of compliance
Business Combinations [FRS3/AC140]	Entire Standard	<ul style="list-style-type: none"> <li>the stage of completion, and the costs to complete the contract.</li> <li>Identification of contract revenue and cost</li> <li>Determination of ,at balance sheet date: <ul style="list-style-type: none"> <li>Aggregate costs incurred and recognized profit</li> <li>Amount of advances received</li> <li>Amount of retentions</li> <li>Reconciliation of retention money</li> </ul> </li> </ul>	<p>30 June 2009</p> <p>Where two or more separate entities are brought together such that the combining entities combine control over the whole, or effectively the whole, of their net assets and operations to achieve a continuing mutual sharing in the risks and benefits attaching to the combined entity, the pooling of interest method should be used to account for the combination of entities. (Reference to AC 131 (issued June 1999) paragraphs 79 to 84.</p> <p>For all business combinations, the following disclosures should be made in the financial statements for the period during which the combination has taken place:</p> <ul style="list-style-type: none"> <li>The names and descriptions of the combining enterprises.</li> <li>The method of accounting for the combination.</li> <li>The effective date of the combination for accounting purposes.</li> <li>Any operations resulting from the business combination of which the enterprise has decided to dispose [AC 131.87].</li> </ul> <p>For a business combination that is a uniting of interests, the following additional disclosures should be made in the financial statements for the period during which the uniting of interests has taken place:</p>	Dir Finance	30 June 2009